Application Template for Health Insurance Flexibility and Accountability (HIFA) §1115 Demonstration Proposal

The State of Michigan, Department of Community Health proposes a section 1115 demonstration entitled MIFamily, which will increase the number of individuals with health insurance coverage.

I. GENERAL DESCRIPTION OF PROGRAM

The MIFamily Medicaid expansion, which is scheduled to begin on October 1, 2002, will provide health insurance coverage to an additional 221,500 residents of the State of Michigan with countable incomes at or below 200% (350% for disabled persons receiving Medicaid coverage under Section 1619(b) of the Social Security Act) of the federal poverty level. The increased coverage will be funded by savings from a re-defined program for existing Caretaker Relatives; adding additional optional coverage groups with re-defined benefits; expansion of existing state programs with a state maintenance of effort, an expanded benefit and expanded eligibility; full utilization of Michigan's SCHIP allocation to cover uninsured parents and pregnant women; and new local money from counties that wish to participate.

II. DEFINITIONS

Income: In the context of the HIFA demonstration, income limits for coverage expansions are expressed in terms of gross income, excluding sources of income that cannot be counted pursuant to other statutes (such as Agent Orange payments.)

Mandatory Populations: Refers to those eligibility groups that a State must cover in its Medicaid State Plan, as specified in Section 1902(a)(10) and described at 42 CFR Part 435, Subpart B. For example, States currently must cover children under age 6 and pregnant women up to 133 percent of poverty.

Optional Populations: Refers to eligibility groups that can be covered under a Medicaid or SCHIP State Plan, i.e., those that do not require a section 1115 demonstration to receive coverage and who have incomes above the mandatory population poverty levels. Groups are considered optional if they <u>can be</u> included in the State Plan, regardless of whether they <u>are</u> included. The Medicaid optional groups are described at 42 CFR Part 435, Subpart C. Examples include children and pregnant women covered in Medicaid above the mandatory levels, children covered under SCHIP, and parents covered under Medicaid. For purposes of the HIFA demonstrations, Section 1902(r)(2) and Section 1931 expansions constitute optional populations.

Expansion Populations: Refers to any individuals who cannot be covered in an eligibility group under Title XIX or Title XXI and who can only be covered under Medicaid or SCHIP through the section 1115 waiver authority. Examples include pregnant women in SCHIP and childless non-disabled adults under Medicaid.

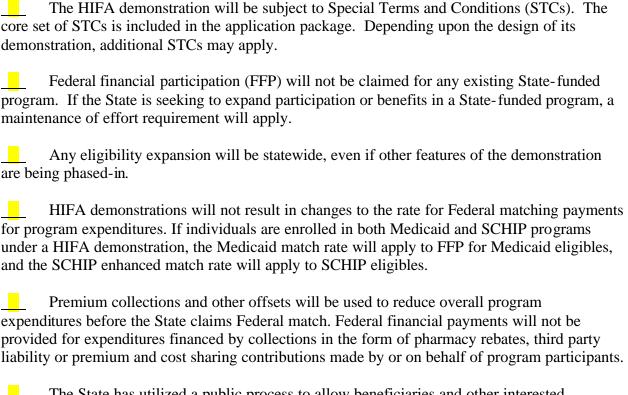
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Private health insurance coverage: This term refers to both group health plan coverage and health insurance coverage as defined in section 2791 of the Public Health Service Act.

III. HIFA DEMONSTRATION STANDARD FEATURES

The HIFA demonstration will be subject to Special Terms and Conditions (STCs). The

Please place a check mark beside each feature to acknowledge agreement with the standard



The State has utilized a public process to allow beneficiaries and other interested stakeholders to comment on its proposed HIFA demonstration.

IV. STATE SPECIFIC ELEMENTS

A. Upper income limit

The upper income limit for the eligibility expansion under the demonstration is 200 (350% for disabled persons receiving Medicaid coverage under Section 1619(b) of the Social Security Act) percent of the FPL.

If the upper income limit is above 200 percent of the FPL, the State will demonstrate that focusing resources on populations below 200 percent of the FPL is unnecessary because the State already has high coverage rates in this income range, and covering individuals above 200 percent of the FPL under the demonstration will not induce individuals with private health insurance coverage to drop their current coverage. (Please include a detailed description of your approach as Attachment A to the proposal.)

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B. Eligibility

Please indicate with check marks which populations you are proposing to include in your HIFA demonstration.

Mandatory Pop	pulations (as specified in Title XIX.)			
	Section 1931 Families			
	Blind and Disabled—Michigan requests a modification in the state-specific calculation of the upper income limit for coverage under Section 1619(b)specifically, a replacement of the current state-specific methodology with an upper limit of 350% of the federal poverty level. In addition, the state requests a modification in the counting of assets. Specifically, the state requests exclusion of up to \$100,000 in retirement accounts (e.g., IRAs, 401Ks, etc.) and up to \$15,000 in Freedom Accounts (state defined accounts used by beneficiaries to save for purchases related to independence) from the asset calculation.			
	Aged			
	Poverty-related Children and Pregnant Women—children covered through 150% of the federal poverty level under the Healthy Kids program will be provided 12-months continuous eligibility.			
Optional Popul	lations (included in the existing Medicaid State Plan)			
Categor	ical			
-	Children and pregnant women covered in Medicaid above the mandatory level			
-	Parents covered under Medicaid			
-	Children covered under SCHIP			
-	Parents covered under SCHIP			
-	Other (please specify)			
Medical	lly Needy			
	TANF Related—eliminate the existing Caretaker Relative category and develop a parent (including some persons acting as a parent) category under the waiver.			
-	Blind and Disabled			

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	Aged
Title XXI child	dren (Separate SCHIP Program)
Title XXI pare	nts (Separate SCHIP Program)
If the demonstration i optional eligibility ex	Populations (not included in the existing Medicaid or SCHIP State Plan.) ncludes optional populations not previously included in the State Plan, the pansion must be statewide in order for the State to include the cost of the ning the annual budget limit for the demonstration.)
Populations th	nat can be covered under a Medicaid or SCHIP State Plan
	Children above the income level specified in the State Plan This category will include children frompercent of the FPL throughpercent of the FPL.
	Pregnant women above the income level specified in the State Plan This category will include individuals from percent of the FPL through percent of the FPL.
	Parents above the current level specified in the State Plan This category will include individuals from 0 percent of the FPL through 100 percent of the FPL. Parents will be covered in two health benefit plans based upon the family's countable income. Parents at or below 50% of the federal poverty level (FPL) will be covered statewide in Plan B coverage. Parents from 51% FPL through 100% FPL will be covered statewide under Plan C benefits.
Existing Expansion P	opulations
	at are not defined as an eligibility group under Title XIX or Title XXI, but beliving coverage in the State by virtue of an existing section 1115.
	Childless Adults (This category will include individuals frompercent of the FPL throughpercent of the FPL.)
	Pregnant Women in SCHIP (This category will include individuals frompercent of the FPL throughpercent of the FPL.)

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	Other. Please specify:
	(If additional space is needed, please include a detailed discussion as Attachment B to your proposal and specify the upper income limits.)
New Expansion Popu	ulations
-	hat are not defined as an eligibility group under Title XIX or Title XXI, and ed only as a result of the new HIFA demonstration.
	Childless Adults (This category will include individuals from 0 percent of the FPL through 100 percent of the FPL.) Childless adults will be covered in different plans based on income. Childless adults at or below 35% of the federal poverty level will be covered statewide and will receive Plan D benefits. Childless adults from 36% of FPL through 100% of FPL will receive Plan E benefits in counties that choose to participate in the program. Persons that are ineligible under the parent coverage may be eligible for coverage through a county health plan.
	Pregnant Women in SCHIP (This category will include individuals from 186 percent of the FPL through 200 percent of the FPL.)
	Other. Please specify:

(If additional space is needed, please include a detailed discussion as Attachment B to your proposal and specify the upper income limits.)

Financial eligibility for the new parent group will be determined based upon the federal poverty level established in the waiver for the category of eligibility being considered. The income standard will be applied based upon countable income and family size. Earned and unearned income will be counted. Deductions from income are:

- \$90 per month earned income disregard
- \$200 per month per child for whom day care is paid so the person with income can work or attend school
- Child support paid
- \$50 per month from child support received
- All earned income of a child 18 years-of-age and under living in their parent's home

Family is defined as the person, the person's spouse and any biological or adopted child (18 years of age or under living in the home) of the applicant or the applicant's spouse. In the case of a person acting as a parent, the related child will not be considered in determining the family size for the adult's eligibility since the person acting as parent's income cannot be considered in determining the child's eligibility. Three generation families may be considered in

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determining an applicant's eligibility if the second-generation parent is a minor child living in his or her parent's home.

The applicant must meet all non-financial eligibility requirements specified in the state's eligibility policy; e.g., residency.

C. Enrollment/Expenditure Cap			
No			
Yes			
(If Yes) Number of p	articipants		
or dollar limit of dem	1 state general fund expenditures plus an inflation factor equal to the growth in state revenues. Benefits, eligibility criteria and cost sharing will be reviewed annually (through a public process that includes beneficiaries, advocates, providers and state officials) to ensure costs remain within the federal budget neutrality cap and the annual state appropriation for the Medicaid program. Enrollment of adults in county health plans will be limited by county participation in the program and county appropriations.		
(Express dollar limit in terms of total computable program costs.)			
D. Phase-in			
Please indicate below	whether the demonstration will be implemented at once or phased in.		
The H	IFA demonstration will be implemented at once.		
The H	IFA demonstration will be phased-in.		

If applicable, please provide a brief description of the State's phase-in approach (including a timeline): Coverage for adults in county health plans will be phased in over the 5 years of the waiver. The phase-in will be on a county-by-county basis as counties choose to develop locally administered health plans and contribute local resources. In the first year of the waiver a minimum of seven counties will participate; second year participation may increase to forty-seven counties. The remaining counties will be phased in over the last three years of the waiver so that all 83 counties participate by the end of year 5.

E. Benefit Package

Please use check marks to indicate which benefit packages you are proposing to provide to the various populations included in your HIFA demonstration.

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1. Mandatory	<u>Populations</u>
	The benefit package specified in the Medicaid State Plan as of the date of the HIFA application. The existing Medicaid benefit package will be provided to disabled persons covered under expanded 1619(b) coverage to 350% of the federal poverty level, pregnant women 186% through 200% of the federal poverty level and to children provided 12 months continuous coverage under Healthy Kids.
2. Optional p	opulations included in the existing Medicaid State Plan
plan.	_ The same coverage provided under the State's approved Medicaid State
	The benefit package for the health insurance plan this is offered by an HMO and has the largest commercial, non-Medicaid enrollment in the State The standard Blue Cross/Blue Shield preferred provider option service benefit plan that is described in, and offered to Federal employees under 5 U.S.C. 8903(1). (Federal Employees Health Benefit Plan (FEHBP)) A health benefits coverage plan that is offered and generally available to State employees A benefit package that is actuarially equivalent to one of those listed above Secretary approved coverage. (The proposed benefit package is described in Attachment D.)
inpatient and	cretary approved coverage, benefit packages must include these basic services: outpatient hospital services, physicians surgical and medical services, laboratory vices, well-baby and well-child care, including age appropriate immunizations.
3. SCHIP pop	pulations, if they are to be included in the HIFA demonstration
Medicaid Sta proposing to	pproved SCHIP plans may provide the benefit package specified in te plan, or may choose another option specified in Title XXI. (If the State is change its existing SCHIP State Plan as part of implementing a HIFA n, a corresponding plan amendment must be submitted.) SCHIP coverage of:
	_ The same coverage provided under the State's approved Medicaid State
plan	The benefit package for the health insurance plan this is offered by an HMO and has the largest commercial, non-Medicaid enrollment in the State The standard Blue Cross/Blue Shield preferred provider option service benefit plan that is described in, and offered to Federal employees under 5 U.S.C. 8903(1). (Federal Employees Health Benefit Plan (FEHBP)) A health benefits coverage plan that is offered and generally available to State employees A benefit package that is actuarially equivalent to one of those listed above Secretary approved coverage.

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Note: For Secretary approved coverage, benefit packages must include these basic services: inpatient and outpatient hospital services, physicians surgical and medical services, laboratory and x-ray services, well-baby and well-child care, including age appropriate immunizations.

4. New o	ptional populations to be covered as a result of the HIFA demonstration
— plan.	The same coverage provided under the State's approved Medicaid State
рган. — — — —	The benefit package for the health insurance plan this is offered by an HMO and has the largest commercial, non-Medicaid enrollment in the State The standard Blue Cross/Blue Shield preferred provider option service benefit plan that is described in, and offered to Federal employees under 5 U.S.C. 8903(1). (Federal Employees Health Benefit Plan (FEHBP)) A health benefits coverage plan that is offered and generally available to State employees A benefit package that is actuarially equivalent to one of those listed above Secretary approved coverage. (The proposed benefit package is described in Attachment C.)
inpatient	Secretary approved coverage, benefit packages must include these basic services: and outpatient hospital services, physicians surgical and medical services, laboratory services, well-baby and well-child care, including age appropriate immunizations.
benefit pa number o means all physician	sion Populations – States have flexibility in designing the benefit package, however, the ackage must be comprehensive enough to be consistent with the goal of increasing the of insured persons in the State and must include at least a primary care benefit, which health care services customarily furnished by or through a general practitioner, family a, internal medicine physician, obstetrician/gynecologist, or pediatrician. Please check tes to be included.
In	patient
0	utpatient
Pl	hysician's Surgical and Medical Services
L	aboratory and X-ray Services
Pl	harmacy
O	ther (please specify) Mental Health and Substance Abuse

Please include a detailed description of any Secretary approved coverage or flexible expansion benefit package as Attachment C to your proposal. Please include a discussion of whether different benefit packages will be available to different expansion populations.

F. Coverage Vehicle

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Please check the coverage vehicle(s) for all applicable eligibility categories in the chart below (check multiple boxes if more than one coverage vehicle will be used within a category):

Eligibility Category	Fee-For- Service	Medicaid or SCHIP Managed	Private health insurance	Group health plan	Other (specify)
		Care	coverage	coverage	
Mandatory	XXXXXXX	XXXXXXX			
Optional –					
Existing					
Optional –		XXXXXXX	XXXXXXX	XXXXXX	
Expansion			Through	Through	
			Vouchers	Vouchers	
Title XXI –		XXXXXXX	XXXXXXX	XXXXXX	
Medicaid			Through	Through	
Expansion			Vouchers	Vouchers	
Title XXI –					
Separate					
SCHIP					
Existing section					
1115 expansion					
New HIFA	XXXXXXX		XXXXXXX	XXXXXX	XXXXXX
Expansion			Through	Through	County
			Vouchers	Vouchers	Health Plan

Please include a detailed description of any private health insurance coverage options as Attachment D to your proposal.

G. Private health insurance coverage options

Coordination with private health insurance coverage is an important feature of a HIFA demonstration. One way to achieve this goal is by providing premium assistance or "buying into" employer-sponsored insurance policies. Description of additional activities may be provided in Attachment D to the State's application for a HIFA demonstration. If the State is employing premium assistance, please use the section below to provide details.

As part of the demonstration the State will be providing premium assistance for private health insurance coverage under the demonstration. Provide the information below for the relevant demonstration population(s):

The State elects to provide the following coverage in its premium assistance program: (Check all applicable, and describe benefits and wraparound arrangements, if applicable, in Attachment D to the proposal if necessary. If the State is offering different arrangements to different populations, please explain in Attachment D.)

The same coverage provided	I under the State's approved Medicaid pl	lan.

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	The same coverage provided under the State's approved SCHIP plan.
has th	The benefit package for the health insurance plan that is offered by an HMO, and the largest commercial, non-Medicaid enrollment in the State.
-	The standard Blue Cross/Blue Shield preferred provider option service benefit hat is described in, and offered to Federal employees under 5 U.S.C. 8903(1). ral Employees Health Benefit Plan (FEHBP))
emplo	A health benefits coverage plan that is offered and generally available to State byees.
(pleas	A benefit package that is actuarially equivalent to one of those listed above e specify).
	Secretary-Approved coverage.
includ	Other coverage defined by the State. (A copy of the benefits description must be led in Attachment C.)
assistance pro higher than c	tate assures that it will monitor aggregate costs for enrollees in the premium ogram for private health insurance coverage to ensure that costs are not significantly osts would be for coverage in the direct coverage program. (A description of the lan will be included in Attachment D.)
degree of sub	tate assures that it will monitor changes in employer contribution levels or the estitution of coverage and be prepared to make modifications in its premium ogram. (Description will be included as part of the Monitoring Plan.)

H. Cost Sharing

Please check the cost sharing rules for all applicable eligibility categories in the chart below:

Eligibility Category	Nominal Amounts Per Regulation	Up to 5 Percent of Family Income	State Defined
Mandatory	XXXXXXX		
Optional –			
Existing			
(Children)			
Optional –			
Existing (Adults)			
Optional –			
Expansion			
(Children)			

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Optional _		XXXXXXX
Expansion		
(Adults)		
Title XXI –	XXXXXXX	
Medicaid		
Expansion		
Title XXI –		
Separate SCHIP		
Existing section		
1115 Expansion		
New HIFA		XXXXXXX
Expansion		

Cost-sharing for children

Only those cost-sharing amounts that can be attributed directly to the child (i.e. co-payments for the child's physician visits or prescription drugs) must be counted against the cap of up to five percent of family income. Cost-sharing amounts that are assessed to a family group that includes adults, such as family premiums, do not need to be counted as 'child cost-sharing' for the purposes of the up to five percent cost-sharing limit. A premium covering only the children in a family must be counted against the cap.

Below, please provide a brief description of the methodology that will be used to monitor childonly cost-sharing expenses when the child is covered as part of the entire family and how those expenses will be limited to up to five percent of the family's income.

Any State defined cost sharing must be described in Attachment E. In addition, if cost sharing limits will differ for participants in a premium assistance program or other private health insurance coverage option, the limits must be specified in detail in Attachment E to your proposal.

V. Accountability and Monitoring

Please provide information on the following areas:

1. Insurance Coverage

The rate of uninsurance in your State as of 1999 for individuals below 200 percent of poverty and any other groups that will be covered under the demonstration project.

Uninsured adults 18 through 64 years-of-age	30.3% or 369,535 individuals

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The coverage rates in your State for the insurance categories for individuals below 200 percent of poverty and any other groups that will be covered under the demonstration project:

Private Health Insurance Coverage Under a Group Health Plan
35.4% or 431,485 individuals
Other Private Health Insurance Coverage
9.1% or 110,446 individuals
Medicaid (please separately identify enrollment in any section 1906 or section 1115 premium assistance)
25.4% or 310,246 individuals
SCHIP (please separately identify any premium assistance)
0.0% Adults are not currently enrolled in SCHIP
Medicare
95.2% or 418,220 individuals
Other Insurance
5.3% or 64,868 individuals
Indicate the data source used to collect the insurance information presented above (the State may use different data sources for different categories of coverage, as appropriate):
The Current Population Survey
Other National Survey (please specify)
State Survey (please specify)
Administrative records (please specify)
Other (please specify)
Adjustments were made to the Current Population Survey or another national survey.
Yes No
If yes, a description of the adjustments must be included in Attachment F.

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A State survey was used.



If yes, provide further details regarding the sample size of the survey and other important design features in Attachment F.

If a State survey is used, it must continue to be administered through the life of the demonstration so that the State will be able to evaluate the impact of the demonstration on coverage using comparable data.

2. State Coverage Goals and State Progress Reports

The goal of the HIFA demonstration is to reduce the uninsured rate. For example, if a State was providing Medicaid coverage to families, a coverage goal could be that the State expects the uninsured rate for families to decrease by 5 percent. Please specify the State's goal for reducing the uninsured rate:

Currently, there are 369,535 individuals aged 18 through 64, with incomes at or below 200% of the federal poverty level that are uninsured. This represents 30.3% of the low-income, nonaged adult population of the state. When fully implemented, the waiver will provide coverage to an additional 221,020 individuals in this group. The increase in coverage will result in a 59.8% reduction in the number of uninsured in this group. The rate of uninsured for this group will drop from the 1999 level of 30.3% to 12.2%.

Attachment F must include the State's Plan to track changes in the uninsured rate and trends in sources of insurance as listed above. States should monitor whether there are unintended consequences of the demonstration such as high levels of substitution of private coverage and major decreases in employer contribution levels. (See the attached Special Terms and Conditions.)



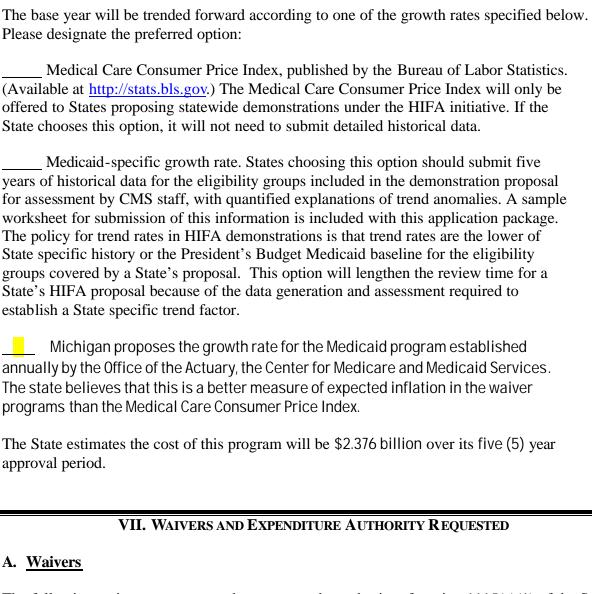
Annual progress reports will be submitted to CMS six months after the end of each demonstration year which provide the information described in this plan for monitoring the uninsured rate and trends in sources of insurance coverage.

States are encouraged to develop performance measures related to issues such as access to care, quality of services provided, preventative care, and enrollee satisfaction. The performance plan must be provided in Attachment F.

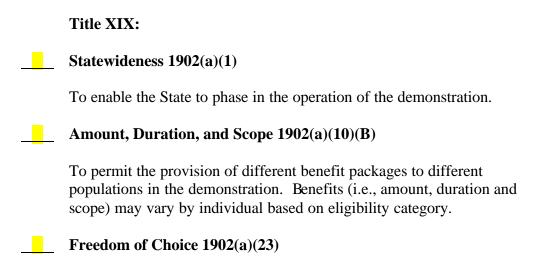
VI. PROGRAM COSTS

A requirement of HIFA demonstrations is that they not result in an increase in federal costs compared to costs in the absence of the demonstration. Please submit expenditure data as Attachment G to your proposal. For your convenience, a sample worksheet for submission of base year data is included as part of the application packet.

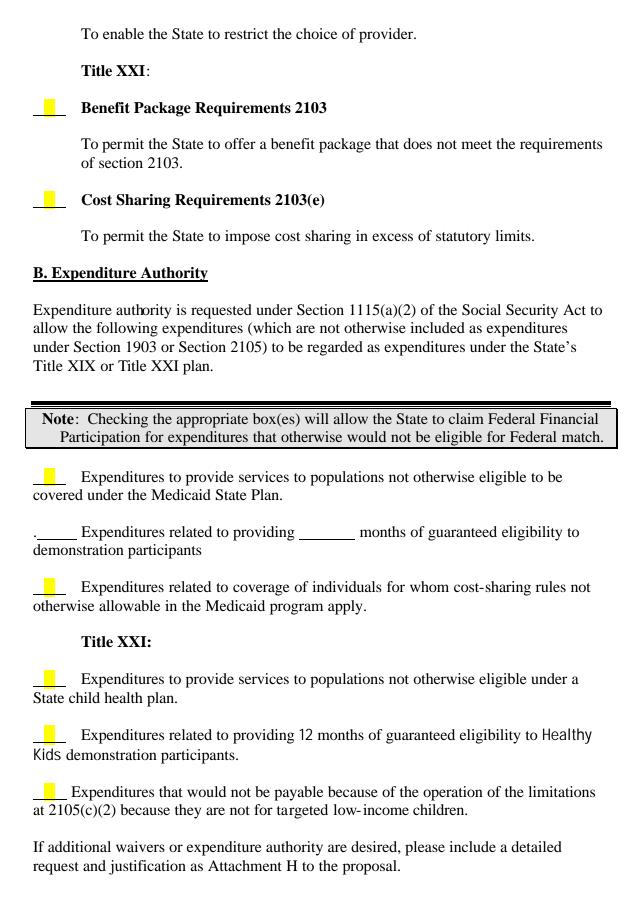
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The following waivers are requested pursuant to the authority of section 1115(a)(1) of the Social Security Act (Please check all applicable):



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VIII. ATTACHMENTS

Place check marks beside the attachments you are including with your application.

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Attachment H: Additional waivers or expenditure authority request and
Attachment H: Additional waivers or expenditure authority request and
 Attachment F: Additional detail regarding measuring progress toward reducing the rate of uninsurance.
 Attachment E: Detailed discussion of cost sharing limits.
 Attachment D: Detailed description of private health insurance coverage options, including premium assistance if applicable.
 Attachment C: Benefit package description.
 Attachment B: Detailed description of expansion populations included in the demonstration.
Attachment A: Discussion of how the State will ensure that covering individuals above 200 percent of poverty under the waiver will not induce individuals with private health insurance coverage to drop their current coverage.

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